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No. 98-531

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1997

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK and UNITED STATES OF AMERICA,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICI CURIAE* OF OHIO, ALABAMA, ALASKA, CALIFORNIA, COLORADO, DELAWARE, HAWAII, ILLINOIS, LOUISIANA, MARYLAND, MICHIGAN, MISSISSIPPI, NEVADA, NEW YORK, OKLAHOMA, OREGON, SOUTH CAROLINA, TENNESSEE, TEXAS, UTAH, WEST VIRGINIA, WYOMING AND THE COMMONWEALTHS OF PENNSYLVANIA AND VIRGINIA IN SUPPORT OF PETITIONER

BETTY D. MONTGOMERY
Attorney General of Ohio
JEFFREY S. SUTTON
State Solicitor
Counsel of Record
ELISE W. PORTER
Assistant Attorney General
30 East Broad Street, 17th Flr.
Columbus, Ohio 43215-3428
(614) 466-8980
Counsel for *Amici* States

16pp

BILL PRYOR
Attorney General
State of Alabama

BRUCE M. BOTELHO
Attorney General
State of Alaska

DANIEL E. LUNGREN
Attorney General
State of California

GALE A. NORTON
Attorney General
State of Colorado

M. JANE BRADY
Attorney General
State of Delaware

MARGERY S. BRONSTER
Attorney General
State of Hawaii

JAMES E. RYAN
Attorney General
State of Illinois

RICHARD P. IEYOUB
Attorney General
State of Louisiana

J. JOSEPH CURRAN, JR.
Attorney General
State of Maryland

FRANK J. KELLEY
Attorney General
State of Michigan

MIKE MOORE
Attorney General
State of Mississippi

FRANKIE SUE DEL PAPA
Attorney General
State of Nevada

DENNIS C. VACCO
Attorney General
State of New York

W.A. DREW EDMONDSON
Attorney General
State of Oklahoma

HARDY MYERS
Attorney General
State of Oregon

D. MICHAEL FISHER
Attorney General
Commonwealth of Pennsylvania

CHARLES M. CONDON
Attorney General
State of South Carolina

JOHN KNOX WALKUP
Attorney General
State of Tennessee

DAN MORALES
Attorney General
State of Texas

JAN GRAHAM
Attorney General
State of Utah

MARK L. EARLEY
Attorney General
Commonwealth of Virginia

DARRELL V. McGRAW, JR.
Attorney General
State of West Virginia

WILLIAM U. HILL
Attorney General
State of Wyoming

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INTEREST OF THE AMICI

Amicus State of Ohio and twenty-three other amici States write in support of Petitioner Florida Prepaid Postsecondary Education Expense Board to urge the Court to grant the petition. The Patent Remedy Act permits private parties to bring money-damages actions against States in federal court. *See* 35 U.S.C. §§ 271(h), 296. The issue here is whether Congress exceeded its authority in abrogating the States' immunity from such actions in light of the Eleventh Amendment and the principles of State sovereign immunity that it secures.

The States have an immediate and vital interest in the matter. Nineteen other States (besides Florida) have educational savings programs similar to the one at issue here. Appendix. And many of them face the threat of damages claims initiated by the respondent in this case, College Savings Bank. Appendix. Nor are these the only types of State intellectual property initiatives that have been challenged in money-damages actions brought by private parties in federal court. There are others as well. *See, e.g. Genentech, Inc. v. Regents of the Univ. of Cal.*, 939 F. Supp. 639 (S.D. Ind. 1996) (recombinant DNA patent held by University). The States face considerable costs in defending these cases, to say nothing of the potential damages and attorney fees in losing them.

More than just money, however, explains the States' opposition to the Federal Circuit's decision. In holding that Congress may create such causes of action under section five of the Fourteenth Amendment, the lower court neglected the recent teachings of *City of Boerne v. Flores*, 521 U.S. 507 (1997), and sidestepped the requirements of *Seminole Tribe v. Florida*, 517 U.S. 44 (1996).

In the aftermath of *Seminole Tribe* and *City of Boerne*, the lower federal courts have reached conflicting results in defining the scope of Congress's power under section five of the Fourteenth Amendment to abrogate the States' Eleventh

Amendment immunity from suit in federal court. Compare *Coger v. Board of Regents*, 154 F.3d 296 (6th Cir 1998), *petition for cert. filed*, (U.S. Nov. 18, 1998)(No. 98-821), with *Humenansky v. Regents of the Univ. of Minn.*, 152 F.3d 822 (8th Cir. 1998) (claims under Age Discrimination in Employment Act); *Knussman v. State of Md.*, 935 F. Supp. 659 (D. Md. 1996), with *Thomson v. Ohio State Univ. Hosp.*, 5. F. Supp. 2d 574 (S.D. Ohio 1998) (claims under the Family and Medical Leave Act); *Oregon Short Line R.R. v. Department of Revenue Oregon*, 139 F.3d 1259 (9th Cir. 1998) with *Union Pac. R.R. v. State of Utah*, 996 F. Supp. 1358(D. Utah 1997) (claims under the 4-R Act). However, in the intellectual property area, only the Federal Circuit has expanded Congress's powers under the Fourteenth Amendment to allow abrogation of the States' Eleventh Amendment immunity.

In each of these areas, the first principles of a limited national government embodied in *Seminole Tribe* and *City of Boerne* do far more than just protect State government fiscs. They ultimately further the transcendent goal of federalism -- that individual liberty is most effectively secured by dividing the country into national and State governments, each with well-preserved and separate sovereign powers. In the interest of preventing the dilution of these critical principles, the *amici* States submit this brief for the Court's consideration.

REASONS FOR GRANTING THE WRIT

I. THE ISSUE IS A RECURRING ONE AND THE FEDERAL CIRCUIT'S RESOLUTION OF IT CONFLICTS WITH THE REASONING OF TWO OTHER COURTS OF APPEALS.

In several respects, the lower court's decision concerns matters of national import that warrant the Court's attention. In

the first place, as a decision from the Federal Circuit regarding federal patent law, the ruling controls all similar actions against the States that now are pending, or later may be filed, in federal district courts throughout the country. Already there are at least nine States threatened with suit regarding this particular patent alone, as well as others regarding other patents. *See* Appendix. The Federal Circuit of course has exclusive jurisdiction in overseeing all of these actions. That no other lower court, whether State or federal, has authority to resolve this issue differently from the Federal Circuit by itself supports reviewing the issue now rather than later and using this case as the vehicle for doing so.

Nor does this matter involve one of the traditional kinds of legal issues resolved by the Federal Circuit, many of which do not warrant prompt review. The case does not concern a run-of-the-mill interpretation of federal patent law, but rather a constitutional issue whose whole point is to let the States rather than Congress dictate when and where their sovereign immunity from money-damages actions may be abrogated. Since the essence of the Eleventh Amendment is to prevent the States from being subjected to these actions at all and since the Federal Circuit is unlikely to have any reason to reconsider this issue, the customary instinct to allow federal questions to percolate in the lower courts does not apply in this unique setting.

Lastly, the reasoning of the Federal Circuit's decision directly conflicts with the reasoning of three other courts of appeals on closely-related issues. All four decisions start, at least initially, on common ground. In the Federal Circuit's eyes, as in the eyes of the other lower courts, *Seminole Tribe* bars Congress from using its Article I powers (here, its powers under the Patent Clause, Art. I, § 8, cl. 8) to abrogate the States' Eleventh Amendment immunity from money-damages actions in federal court. The Federal Circuit, however, then parted company with the other courts in determining whether Congress

could preserve this portion of the Patent Remedy Act, 35 U.S.C. §§ 271(h), 296, on the ground that it was enforcing the Due Process Clause under section five of the Fourteenth Amendment. The court of appeals concluded that it could do so because the legislation protected "property" rights -- a patent created under Congress's Article I powers -- from being deprived without due process.

The Fifth, Third, and Fourth Circuits followed a different course in directly analogous settings. In the Fifth Circuit case, *Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998) *reh'g en banc granted* (Oct. 1, 1998), the court addressed whether a similar claim could be brought in federal court to vindicate an alleged copyright violation. In concluding that it could not, the court held that "[c]opyrights are indeed a species of property" created under Congress's Article I powers but that the contention that a copyright infringement claim is protected by the Due Process Clause "proves too much." In the court's words:

> If [plaintiff's argument] rests on the uniqueness of the property interest created by federal law, . . . then it is a direct end-run around *Seminole*'s holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate "property" interests and then attempt to subject states to suit in federal court for the violation of such interests. This end-run is just as possible under a liberal interpretation of the Due Process Clause . . . as it was under theories of Article I rejected by the court in *Seminole*.

157 F.3d at 289. Congress's copyright and patent powers of course stem from the same provision in the Constitution, Article

I, § 8, cl.8. Yet in the Federal Circuit, these claims may be brought in a federal district court, while in the Fifth Circuit they may not. The difference of opinion is outcome-dispositive, concerns an exceedingly important matter and is recurring in nature.

The Third Circuit sided with the Fifth Circuit in reviewing an analogous claim under the Lanham Act, which addresses trademark and unfair competition claims. It, too, found reliance on the Fourteenth Amendment in this setting to be an "end-run" around *Seminole Tribe* and *City of Boerne*.

> If a state's conduct impacting on a business always implicated the Fourteenth Amendment, Congress would have almost unrestricted power to subject states to suit through the exercise of its abrogation power. Congress could pass any law that tangentially affected the ability of businesses to operate and then create causes of action against the states in federal court if they infringed on those federally created rights. The result would be unacceptable and would conflict directly with the strict limits on Congress' powers to abrogate a state's Eleventh Amendment immunity.

College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board, 131 F.3d 353, 361 (3d Cir. 1997).

Similarly, when confronted with an analogous "property" rights argument under the Bankruptcy Clause of Article I, the Fourth Circuit also diverged from the Federal Circuit. In its view, reliance on section five of the Fourteenth Amendment was "a post hoc justification for Congress' attempted abrogation," and "would require us to ignore the result in *Seminole*" and *City of Bourne*.

> If the Fourteenth Amendment is held to apply so broadly as to justify Congress' enactment of the Bankruptcy Code as a requirement of due process, then the same argument would justify every federal enforcement scheme as a requirement of due process under the Fourteenth Amendment. Clearly, the Indian gaming regulation at issue in Seminole would itself have been subject to this style of constitutionalization . . .

In re Creative Goldsmiths, 119 F.3d 1140, 1146-47 (4th Cir. 1997). *See also In re Sacred Heart Hospital of Norristown*, 133 F.3d 237, 243-45 (3d Cir. 1998) (rejecting abrogation under the Bankruptcy Code and noting that there is no constitutional right to discharge in bankruptcy); *In re Light*, 1996 U.S. App. LEXIS 16575 (9th Cir. June 20, 1996) (no abrogation of Eleventh Amendment in Bankruptcy Code).

In the end, the Federal Circuit stands alone among the courts of appeals in its interpretation of the interaction of Congress's Article I powers and the Eleventh and Fourteenth Amendments in the intellectual property area. The Federal Circuit is the only court of appeals to allow Congress to enforce an Article I property-right claim under section five of the Fourteenth Amendment. For this reason alone, the Court should grant the writ.

II. THE DECISION BELOW DISREGARDS THE COURT'S RECENT HOLDINGS IN *SEMINOLE TRIBE* AND *CITY OF BOERNE*.

In addition to issuing an important interpretation of federal law that conflicts with several other courts of appeals, the Federal Circuit's holding -- that Congress may regulate

patents under its Fourteenth Amendment enforcement powers -- is manifestly wrong. The Federal Circuit held that Congress may abrogate sovereign immunity of the States under the Patent Clause, Art. I, § 8, cl. 8, through its Fourteenth Amendment enforcement powers. Taking the view that the Florida agency "deprived" respondent of its patent rights "without due process of law," the court found that Congress has the ability to enforce those rights by abrogating the State's Eleventh Amendment immunity. This interpretation, however, cannot be squared with the Court's recent holdings in *Seminole Tribe* and *City of Boerne*.

The Patent Remedy Act provides that States may be sued for money damages in patent infringement cases in federal courts. 35 U.S.C. §§ 271(h), 296 (1994). Congress thus "unequivocally expressed its intent to abrogate the immunity." *Green v. Mansour*, 474 U.S. 64, 68 (1985). As in *Seminole Tribe*, the inquiry is "narrowly focused on one question: Was the Act in question passed pursuant to a constitutional provision granting Congress such power?" *Seminole Tribe*, 517 U.S. at 59. In other words, does the Fourteenth Amendment grant Congress the power to abrogate the States' sovereign immunity in patent infringement cases?

In the Federal Circuit's view, two factors supported congressional power. The court thought it "beyond cavil" that a federal patent constitutes "property" entitled to due process protection. And the court thought that "[p]rotecting a privately-held patent from infringement by a state is certainly a legitimate congressional objective under the Fourteenth Amendment, which . . . empowers Congress to prevent state-sponsored deprivation of private property." *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998).

The first problem with this analysis is its circularity. If Congress may not use its Article I powers to augment jurisdiction of Article III courts, as *Seminole Tribe* holds, then surely Congress cannot use its Article I powers to create "property" interests (*e.g.*, a federal patent) that then allows it to do the same thing through the Fourteenth Amendment. Otherwise, there is little Congress could not regulate under the Fourteenth Amendment. Such an horizonless grant of authority to the national government would transform it from one of limited to one of unlimited powers. And in the end, this theory would result in "a direct end-run around *Seminole's* holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power." *Chavez II*, 157 F. 3d at 289.

There is a second independent problem with this analysis. Even if *Seminole Tribe* somehow permitted the abrogation of the States' immunity from suit via the creation of Article I property interests, *City of Boerne* affirmatively bars its application here. In *City of Boerne*, the Court made clear that Congress's power under section five of the Fourteenth Amendment is remedial, not substantive. 521 U.S. 507, 138 L. Ed.2d 624, 638. Part and parcel of that conclusion is that there must be "a congruence between the means used and the ends to be achieved. The appropriateness of remedial measures must be considered in light of the evil presented." *Id.* at 645. Just such a congruence existed under the Voting Rights Act but not under the Religious Freedom Restoration Act (RFRA), *City of Boerne* concluded. *Id.* at 645-47. Under the former, there had been numerous examples of generally-applicable laws passed because of racial animus, making Congress's response with the Voting Rights Act proportionate to a great and widespread evil in the States. Under the latter, there were no modern examples of laws passed because of religious bigotry. RFRA therefore was a disproportionate response to the alleged problem of general laws having an incidental effect on religious practices.

The Patent Remedy Act, as applied to the States, falls on the RFRA, not the Voting Rights Act, side of the section five line. It represents an unwarranted response to an unproven, and indeed virtually nonexistent, harm. If anything, the Patent Remedy Act has even less evidence supporting it as a remedial measure than RFRA did. The *amici* States are not aware of a single State law that pervasively or even occasionally infringes patents held by private parties. And while there are no doubt examples of private parties alleging that State agencies have infringed privately-held patents, the congressional record is utterly devoid of any pattern of judicial holdings that States have in fact infringed such patents. The most the record could show is that States and private parties have occasionally had good-faith disagreements about the scope of certain patents.

Considering the complete lack of any pattern of harm, the remedy offered by Congress is out of proportion to any State infringement of patents, imagined or real. The Patent Remedy Act provides for, among other things, treble damages and attorney's fees. This can hardly be considered a "proportionate" response to anything but a serious and pervasive problem. In addition, there is little evidence that property is taken "without due process." Virtually all States have "takings" laws under which aggrieved parties may sue. *See, e.g. Jacobs Wind Electric Co. v. Florida Dept. of Transp.*, 626 So. 2d 1333 (Fla. 1993). In addition, parties may sue in federal court under *Ex Parte Young*, 209 U.S. 123 (1908), and receive injunctive relief. Accordingly, even accepting the contention that federal patents are property rights that must be protected by due process, Congress's "remedy" is out of all proportion to the alleged harm. The Court should accept the petition to reaffirm this foundational principle.

CONCLUSION

For the foregoing reasons, the Court should grant the writ.

Respectfully submitted,

BETTY D. MONTGOMERY
Attorney General of Ohio
JEFFREY S. SUTTON
State Solicitor
Counsel of Record
ELISE W. PORTER
Assistant Attorney General
30 East Broad Street, 17th Floor
Columbus, Ohio 43215-3428
(614) 466-8980

Counsel for Amici States

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APPENDIX

STATE PROGRAMS FOR PREPAID TUITION

State	Law	Litigation
Alabama	Ala. Code § 16-33C-6 (1991)	threatened by CSB
Alaska	Alaska Stat. § 14.40.803-14.40.817 (1991)	
Colorado	Colo. Rev. Stat. § 23-3.1 et seq.	
Florida	Fla. Stat. § 240.551(1), (3)	suit filed by CSB
Illinois	110 Illinois Comp. Stat. 979/1 et seq.	
Maryland	Md. Code § 18-1902 et seq. (1997)	threatened by CSB
Massachusetts	Mass. Gen. Laws 15C	
Michigan	Mich.Comp.Laws Ann. § 390.1427 (West 1988)	threatened by CSB
Mississippi	Miss. Code § 37-355-1 et seq.	threatened by CSB

State	Law	Litigation
Nevada	Nev. Rev. Stat. § 353(B)	
Ohio	Ohio Rev. Code Ann. 3334.02 (1990 & Supp. 1994)	threatened by CSB
Oregon	(pending voter approval)	threatened by CSB
Pennsylvania	Pa.Cons.Stat. § 6901.309(c)(1992)	
South Carolina	S.C. Code Ann. § 59-4-10; Budg. & Contol. Regs R. 19-2000 et seq.	threatened by CSB
Tennessee	Tem. Code Ann. § 49-7-801 (1998)	
Texas	Tex. Code Ann. § 54.633 (1995)	threatened by CSB
Virginia	Va. Code Ann. § 23-38.75 et seq.	threatened by CSB
Washington	Wash. Rev. Code 28B.95.010 *et seq.*	
West Virginia	West.Va. Code § 1830 et seq.	

State	Law	Litigation
Wyoming	Wyo. Stat. § 21-16-502 (1991)	